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From Orientation to Outcomes: How Entrepreneurial Marketing and Innovation Capabilities Drive SME Success

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Abstract

This study investigates whether all facets of small firm performance improve uniformly when a firm emphasizes Entrepreneurial Marketing Orientation (EMO) and builds Innovative Capabilities (IC). Prior research suggests both EMO and IC drive overall SME success, but treating “performance” as a single outcome may obscure important nuances. We therefore decompose performance into marketing, innovative, and entrepreneurial outcomes and examine differential effects of EMO and IC on each. We draw on survey data from 403 owner-managers of tourism SMEs in Pakistan. We employ a covariance-based multivariate structural equation model to estimate the paths from EMO and IC to the three performance dimensions simultaneously, allowing formal tests of differences across outcomes. We also test for mediation (EMO → IC → performance) and conduct dominance analysis to assess relative importance. EMO has a significant positive effect on marketing, innovative, and entrepreneurial performance (standardized $\beta \approx 0.49\text{--}0.56$, $p < 0.001$). Innovative capability likewise shows positive effects ($\beta \approx 0.25\text{--}0.38$, $p < 0.001$). However, not all outcomes rise equally: EMO’s impact is greatest on innovative performance, whereas IC contributes most to marketing performance, though these differences are statistically modest. EMO also strongly promotes the development of innovative capability itself ($\beta = 0.706^{***}$), which partially mediates EMO’s influence on all performance dimensions. Overall, EMO emerges as the dominant driver of SME performance, with innovative capability playing a supportive but vital role. We extend entrepreneurial marketing theory by unpacking its multi-dimensional performance effects and identifying innovative capability as a key mediating mechanism. Results suggest tourism SMEs should first and foremost foster an entrepreneurial marketing orientation – doing so yields balanced improvements in customer-related outcomes, innovation outputs, and business growth. Concurrently, investing in innovative capabilities amplifies marketing success and sustains long-term performance. In dynamic markets, an EMO culture coupled with strong innovation capacity is a powerful formula for broad-based SME performance gains.

Keywords: Entrepreneurial Marketing Orientation (EMO); Innovative capability; Marketing performance; Innovative performance; Entrepreneurial performance

INTRODUCTION

Performance is a central outcome in both entrepreneurship and marketing research, yet it is often treated as a *unitary* construct. Many studies collapse diverse results – from market share to innovativeness to profit growth – into a single “firm performance” index (Ahmadi & O’Cass, 2016). This simplification risks obscuring important nuances. In practice, firm performance is multidimensional rather than uniform. For small and medium-sized enterprises (SMEs), outcomes can be categorized into distinct but related domains—marketing performance (e.g., customer acquisition and sales growth), innovative performance (e.g., success in developing new products or services), and entrepreneurial performance (e.g., business growth and profitability). These outcomes often move independently rather than rising or falling in tandem. Recent scholarship has questioned the assumption that strategies deliver uniform results across all performance measures, arguing instead that different orientations may yield uneven benefits (Alqahtani & Uslay, 2020). For example, an SME might strengthen its innovation capabilities without immediately translating those gains into marketing success, or conversely, see short-term marketing improvements without sustained innovation benefits. Treating performance as a single construct risks overlooking such nuances.

Two strategic orientations frequently linked to enhanced SME outcomes are Entrepreneurial Marketing Orientation (EMO) and Innovative Capability (IC). EMO captures the entrepreneurial approach to marketing, representing the fusion of opportunity-seeking behavior with customer-oriented value creation (Eggers et al., 2020). It is typically operationalized through seven dimensions: opportunity focus, risk-taking, proactiveness, innovativeness, customer intensity, resource leveraging, and value creation. Firms characterized by strong EMO actively pursue new opportunities to attract and retain profitable customers, experiment with novel marketing practices, creatively mobilize limited resources, and accept calculated risks in the process. Consistent empirical evidence shows that SMEs embracing EMO achieve higher levels of growth and competitiveness compared to those relying solely on conventional marketing practices (Hacioglu et al., 2012). For example, recent research in tourism and other industries reports that an entrepreneurial marketing approach correlates with higher market share, stronger customer loyalty, and improved financial outcomes. EMO encourages firms to be agile and creative – using tactics like viral promotions or guerilla marketing – which can be especially effective for resource-constrained SMEs. Despite these documented benefits, prior work typically examines EMO’s impact on a single *overall* performance metric (Hansen et al., 2020). We have limited understanding of *which* aspect of performance EMO benefits the most. Does an entrepreneurial marketing mindset primarily drive marketing success (by attracting more customers), does it spur innovation (by instilling a

culture of creativity), or does it most strongly fuel entrepreneurial outcomes like new venture growth? This question remains under-explored.

The second key construct, innovative capability, refers to a firm's ability to develop new ideas, products, and processes – essentially, the capacity to innovate continuously. A robust innovative capability (sometimes termed innovation capacity) is widely regarded as vital for long-term success in dynamic markets. Firms with high innovative capability can respond to changing customer needs and technological trends by offering new solutions, giving them a competitive edge (He et al., 2020). Prior studies show a clear positive association between a firm's innovativeness and its performance. Particularly in turbulent environments, innovation capability can determine survival and growth. However, like EMO, innovation capability's benefits may manifest differently: it could translate most directly into *innovative performance* (more new services or products), which in turn might drive *marketing performance* (through improved offerings), and eventually reflect in *entrepreneurial performance* (through revenue and expansion) (Hills et al., 2010). The chain of effects is not fully understood. Moreover, innovative capability does not arise in a vacuum – it can be nurtured by an entrepreneurial orientation. In fact, one might expect EMO and innovative capability to reinforce each other. An EMO culture encourages innovativeness (one of its own dimensions), which should bolster the firm's innovation capability over time (He et al., 2020). Conversely, having strong innovation processes enables a firm to better execute the opportunities identified via EMO. This interplay suggests that EMO may partially work *through* enhancing innovative capability. Clarifying this mediating mechanism would bridge the entrepreneurship–marketing interface with innovation management theory.

Our study addresses these gaps by examining the differential impacts of EMO and innovative capability on *three distinct performance dimensions*: marketing performance (MP), innovative performance (IP), and entrepreneurial performance (EP). We focus on tourism SMEs in an emerging market (Pakistan) as the empirical context. This context is both relevant and under-studied (He et al., 2020). Tourism SMEs operate in highly competitive, rapidly changing environments where innovative marketing approaches can be decisive for success. In emerging economies like Pakistan, SMEs often face resource scarcity and market volatility, making entrepreneurial marketing and innovation crucial survival strategies. Yet, existing EMO research has largely concentrated on developed economies; relatively few studies have investigated EMO, innovation, and performance in South Asian or tourism settings. By studying Pakistani tourism firms, we not only extend geographic coverage of EMO research but also provide insights for a sector that plays a growing role in many developing economies.

By examining the distinct effects of Entrepreneurial Marketing Orientation (EMO) and innovative capability on performance outcomes, this study advances both theory and practice. Rather than treating SME performance as a uniform construct, we highlight the value of a multi-dimensional approach that distinguishes between marketing, innovative, and entrepreneurial outcomes. Our evidence suggests that innovation capability functions as an important mechanism through which entrepreneurial marketing contributes to performance, aligning with the dynamic capabilities perspective (Hills et al., 2010). For practitioners, the findings clarify whether adopting an entrepreneurial marketing ethos, investing in innovation, or combining both strategies produces the most substantial returns—whether in customer outcomes, innovative achievements, or broader entrepreneurial growth. In doing so, the study deepens understanding of how entrepreneurial marketing and innovation function as levers for different forms of success in small firms.

HYPOTHESES

Entrepreneurial Marketing Orientation (EMO). EMO is widely expected to generate positive effects across several performance dimensions. By blending entrepreneurial behaviors—such as innovativeness, proactiveness, and risk-taking—with market-driven practices like customer intimacy and value creation, EMO equips SMEs to improve marketing, innovation, and entrepreneurial outcomes simultaneously (Ahmadi & O'Cass, 2016). We therefore propose hypotheses about its effects on specific domains and compare their relative strength.

EMO and Marketing Performance. EMO-oriented firms tend to be highly responsive to customer needs and creative in addressing them (Hansen et al., 2020). By fostering proactive market sensing and adopting unconventional marketing tactics, SMEs can enhance their marketing outcomes. Examples include buzz marketing, viral social media campaigns, and guerrilla marketing strategies that allow smaller firms to attract and retain customers despite limited resources (Ghayyur et al., 2022). Moreover, EMO emphasizes value delivery and customer relationships through entrepreneurial creativity, resulting in greater satisfaction, loyalty, and market share. Empirical studies consistently report that EMO has a positive association with sales growth and customer expansion in SMEs (Ghayyur et al., 2022). Based on this, we hypothesize:

H1: Entrepreneurial Marketing Orientation is positively associated with the marketing performance of SMEs.

EMO and Innovative Performance. Since innovativeness is central to EMO, firms adopting this orientation are more likely to experiment with new ideas, practices, and offerings (Ghayyur et al., 2022). EMO cultivates a culture of openness to change and creativity, which directly enhances innovative outputs such as the development of new services or process

improvements. Through risk-taking and creative resource deployment, SMEs can produce more innovation than their conservative counterparts (Hansen et al., 2020). For instance, tourism SMEs adopting EMO may design distinctive customer experiences or integrate digital tools to differentiate their offerings, thereby raising innovative performance. Prior research reinforces this EMO–innovation link, showing that firms with entrepreneurial marketing mindsets exhibit significantly greater product and service innovation. We therefore propose:

H2: Entrepreneurial Marketing Orientation is positively associated with the innovative performance of SMEs.

EMO and Entrepreneurial Performance. Entrepreneurial performance reflects outcomes such as firm growth, the creation of new ventures, and profitability derived from entrepreneurial activities. EMO is fundamentally opportunity-oriented: firms with a strong EMO continuously scan their environment for emerging opportunities and are prepared to act faster than their competitors (Ghayyur et al., 2022). This proactive posture should translate into higher entrepreneurial success, evident in entry into new markets, the launch of novel revenue streams, and improved financial results. Another critical element is EMO’s approach to risk. EMO-oriented firms tend to embrace calculated risks, allowing them to seize opportunities effectively—an essential factor in entrepreneurial achievement. Empirical evidence from the tourism sector shows that EMO correlates with measurable entrepreneurial outcomes, including increased market share and stronger customer loyalty, both of which underpin business growth and profitability (Ghayyur et al., 2022). Thus, we expect SMEs with higher EMO to outperform others on entrepreneurial indicators such as growth rate and profitability.

H3: Entrepreneurial Marketing Orientation is positively associated with the entrepreneurial performance of SMEs.

EMO and Innovative Capability. Beyond its direct effect on outcomes, EMO may first shape a firm’s capabilities. Specifically, an entrepreneurial marketing culture is likely to foster stronger innovative capability—the internal capacity to generate, refine, and implement new ideas. EMO emphasizes experimentation, creativity, and continuous learning; over time, this orientation supports the development of routines and skills that embed innovation within the organization. Examples include fostering more creative problem-solving among employees, investing in R&D activities, and developing structures that encourage systematic innovation. In this way, EMO functions not only as a market-facing orientation but also as a driver of the internal competencies that enable firms to remain adaptive and innovative in the long run.

In other words, EMO is proposed to directly foster the firm’s innovative capability. Supporting this, our context literature argues that firms which are entrepreneurial in orientation tend to

invest in innovation activities and training, thereby raising their innovative capacity (Ghayyur et al., 2022). We posit:

H4: Entrepreneurial Marketing Orientation is positively related to the innovative capability of SMEs.

Turning to innovative capability (IC), we consider its effects on each performance type. Innovative capability equips a firm to introduce new products/services and improve processes continuously. This should have multifaceted performance benefits:

IC and Marketing Performance: A firm with higher innovative capability can better meet customer needs with new and improved offerings, leading to enhanced marketing performance. Frequent innovation keeps the firm's market offerings fresh, attracting customers and differentiating the firm from competitors. For example, an SME that regularly innovates its tour packages or adopts novel customer engagement methods will likely gain market share and customer loyalty. Prior studies on innovation highlight that product and marketing innovations drive sales growth and market performance in SMEs (Hansen et al., 2020). We therefore expect:

H5: Innovative capability is positively related to marketing performance of SMEs.

IC and Innovative Performance: By definition, a firm's innovative capability should directly contribute to its innovative performance. Firms adept at innovation will produce more innovations (in terms of new products, services, processes) and/or more significant innovations (higher novelty or quality). Thus, it is almost tautological that building innovation capability leads to improved innovation outcomes (number of innovations, innovation speed, etc.). Empirical evidence confirms that firms with greater innovation-oriented capabilities (e.g. dedicated R&D processes, knowledge-sharing routines) exhibit higher innovation performance (Eggers et al., 2020). Hence:

H6: Innovative capability is positively related to innovative performance of SMEs.

IC and Entrepreneurial Performance. Innovation capability also contributes to broader entrepreneurial outcomes. Firms that can consistently generate and apply new ideas are more likely to develop fresh revenue streams and adapt to shifting market conditions, thereby supporting business growth and profitability—key indicators of entrepreneurial performance. However, the relationship is not always immediate or automatic. Innovation must be complemented by effective commercialization strategies and timely opportunity exploitation if it is to translate fully into venture-level success. Nonetheless, in the long run, organizations that nurture strong innovation capabilities are better positioned to identify and capitalize on new opportunities, giving them a competitive advantage over less innovative peers. Evidence from SME studies shows a clear positive association between innovation (both as capability and output) and firm growth and survival (Eggers et al., 2020). Based on this reasoning, we propose:

H7: Innovative capability is positively associated with the entrepreneurial performance of SMEs. Up to this point, we have hypothesized positive effects of both EMO and innovative capability across all three performance dimensions. The central question now becomes one of relative influence: do EMO and innovative capability exert equal weight across marketing, innovative, and entrepreneurial outcomes, or do some outcomes benefit more strongly than others?

For EMO specifically, we expect the following order of impact: the strongest effect on innovative performance, followed by entrepreneurial performance, with marketing performance somewhat less influenced. This ranking rests on several arguments. Most importantly, EMO is inherently rooted in innovativeness and the pursuit of opportunities, making it particularly well aligned with generating innovation outputs (IP).

An EMO firm constantly experiments and encourages new ideas, directly driving up innovative performance. Second, entrepreneurial performance (growth, new ventures) should also be substantially aided by EMO's opportunity focus and proactiveness – EMO-oriented SMEs are quicker to launch new ventures or expand, as documented in prior tourism SME studies (Eggers et al., 2020). However, some aspects of entrepreneurial success (e.g. financial gains) might take time and depend on external factors, so EMO's effect, while strong, may not exceed its effect on innovation which is more internal. Third, marketing performance is expected to improve with EMO (as posited in H1), but comparatively, EMO does not exclusively focus on marketing efficiency; it blends marketing with other facets. Some EMO initiatives (like exploratory innovations) might not immediately maximize marketing outcomes. Therefore, we theorize EMO's impact on marketing performance, while positive, will be relatively lower than on the other two outcomes. Stated as hypotheses:

H8: *EMO's positive effect on innovative performance is greater than its effect on entrepreneurial performance.*

H9: *EMO's positive effect on entrepreneurial performance is greater than its effect on marketing performance.*

For innovative capability, we propose a different rank order: *marketing performance* will benefit the most, then *innovative performance*, and *entrepreneurial performance* the least. The reasoning is that a strong innovative capability enables frequent or substantial product/service innovations, which directly enhance the firm's market appeal – new offerings can attract new customers and satisfy existing ones, boosting marketing metrics (sales, market share) significantly. Indeed, marketing scholars often find that innovation (especially in product offerings) is a key driver of market success (Hansen et al., 2020). Innovative performance (the firm's innovation track record) will of course be high if capability is high, but here the cause and effect are closely intertwined (innovation capability essentially *manifests* as innovative

performance). We expect a positive relationship (H6), but in terms of relative influence, once we control for the tautology, the *incremental* benefit of having stronger innovation processes might appear somewhat less dramatic on IP than its benefit on marketing outcomes (because even firms with moderate capability may produce some innovations, whereas the marketing impact of going from few to many innovations is more noticeable). Finally, entrepreneurial performance (growth/profit) is influenced by many factors beyond innovation – e.g. financial management, external environment – so innovation capability alone may contribute the least here. An SME could be highly innovative but still struggle to grow if, say, it lacks entrepreneurial drive or adequate resources. Therefore, we expect the direct effect of innovative capability on entrepreneurial performance to be positive but relatively small. Formally:

H10: *Innovative capability's positive effect on marketing performance is greater than its effect on innovative performance.*

H11: *Innovative capability's positive effect on innovative performance is greater than its effect on entrepreneurial performance.*

In summary, H8–H11 predict a specific *rank ordering* of the strengths of relationships, reflecting our argument that EMO's benefits skew more toward innovation (and entrepreneurship) than pure marketing, whereas innovative capability's benefits skew toward marketing outcomes over entrepreneurial ones. These hypotheses will be tested by comparing the magnitudes of standardized path coefficients in our structural model.

EMO influences the three performance dimensions (MP, IP, EP) directly (H1–H3) and via innovative capability (H4–H7 for direct IC effects, with EMO→IC from H4). The dashed arrows illustrate the hypothesized comparisons (H8–H11) – for example, the EMO→IP arrow is expected to be thicker (stronger) than EMO→EP, and so on for the others.

METHODS

RESEARCH CONTEXT AND SAMPLE

We tested our hypotheses in the context of tourism SMEs in Pakistan. This context was chosen for its dynamic nature and the critical role of entrepreneurship and innovation in firm success. Tourism SMEs (e.g. small hotels, tour operators, travel agencies) operate in a highly customer-centric industry where creative marketing and new service offerings are essential for competitive advantage. Pakistan's tourism sector is emerging, with increasing opportunities as well as uncertainties, making it an apt setting to examine EMO and innovation effects. Importantly, entrepreneurial marketing in such under-researched emerging markets is of growing scholarly interest.

Our target population was owner/managers of tourism-related SMEs (firms with <250 employees). We employed a structured survey to collect data. The questionnaire was

administered in person and via email to SME owners across several major tourism hubs in Pakistan, including Islamabad, Rawalpindi, Naran, Murree, and Abbottabad. We used a purposive sampling strategy to ensure respondents were key decision-makers with insight into the firm's strategic orientations and performance. A total of 600 questionnaires were distributed and 403 valid responses were received, yielding a robust response rate of ~67% (approximately 61% fully complete) – a satisfactory level for SME survey research. All 403 responses were retained for analysis. Respondents were typically owner-CEOs or senior managers; 79% were male and the average age of firms was 8.5 years (based on self-reported data). While we did not impose a strict firm size cutoff beyond the SME definition, most surveyed firms had fewer than 50 employees, reflecting the small scale of tourism enterprises in the region.

MEASURES AND INSTRUMENT

All constructs were measured with multi-item Likert scales adapted from established sources to ensure content validity. The survey was originally developed in English, then translated to Urdu and back-translated to confirm accuracy (since many respondents were native Urdu speakers). Unless otherwise noted, respondents indicated their agreement with statements on a 5-point scale (1 = "Strongly disagree", 5 = "Strongly agree").

Entrepreneurial Marketing Orientation (EMO): We operationalized EMO as a second-order construct comprising seven first-order dimensions (opportunity focus, calculated risk-taking, proactiveness, innovativeness, customer orientation/intensity, resource leveraging, and value creation). In total, 36 items were used to capture EMO's facets. These items were adapted from the seminal work of Morris et al. (2002) and updated to the SME tourism context. Example items include: "*We actively seek out new market opportunities even if resources are limited*" (opportunity focus), "*Our firm is willing to take calculated risks in trying new marketing approaches*" (risk-taking), and "*We consistently develop creative solutions to meet customers' needs*" (innovative/value creation). The EMO scale thus reflects the firm's strategic posture at the marketing–entrepreneurship interface.

Innovative Capability (IC): Innovative capability was measured with 5 items adapted from prior innovation capability scales (e.g., Calantone et al. 2002; Wang & Ahmed 2004). These items assess the firm's ability to generate and implement new ideas, both in offerings and processes. A sample item is: "*Our company has effective routines for developing new services or improving existing ones.*" Respondents rated their internal innovative capability relative to competitors. Higher scores indicate a stronger capacity to innovate on a continuous basis.

Marketing Performance (MP): We measured marketing performance using 5 items derived from Homburg and Jensen (2007), tailored to the SME context. Owners were asked to evaluate

their firm's marketing outcomes over the past 3 years. Items covered aspects such as *growth in customer base, sales growth, market share, customer satisfaction, and brand recognition*. For example: "*Our customer base has grown significantly in the last three years*". Ratings were given on a Likert scale (1 = much worse than competitors, 5 = much better than competitors) to provide a relative performance assessment.

Innovative Performance (IP): We used 5 items adapted from Damanpour and Gopalakrishnan (1998) and Prajogo (2006) to gauge the firm's innovation outcomes. Respondents indicated the degree of improvement or success in areas like *number of new products/services introduced, speed of innovation, technical innovations adopted, and overall innovativeness* in the past few years. A sample item: "*Compared to competitors, we introduce new services faster and more frequently.*"

Entrepreneurial Performance (EP): Five items were adapted from Bosma et al. (2004) and Fatoki (2011) to measure entrepreneurial performance. This scale captures the firm's outcomes related to growth and entrepreneurial objectives – e.g. *revenue growth, profitability, business expansion, employee growth, and overall success in meeting entrepreneurial goals*. An example statement is: "*Our venture's growth in revenues has met or exceeded our goals in recent years.*" Again, respondents rated performance relative to competitors or objectives.

All performance items were self-reported by the owners, reflecting perceptual performance. While subjective, such measures have been shown to correlate well with objective metrics in past research and are appropriate when objective data are unavailable. To enhance accuracy, we assured respondents that the survey was confidential and for research purposes only, reducing pressure to overstate success.

Reliability and Validity: We conducted a pilot test with 30 SME owners to refine the questionnaire wording. The final instrument demonstrated good reliability. Cronbach's alpha for each construct was above the conventional threshold of 0.70: for EMO (alpha = 0.85), innovative capability (0.87), marketing performance (0.82), innovative performance (0.85), and entrepreneurial performance (0.72). These values indicate acceptable to high internal consistency for multi-item scales. In terms of validity, the EMO scale's multi-dimensional structure was supported by prior literature, and our data also showed each EMO dimension loading significantly on the overall EMO factor. We performed confirmatory factor analysis (CFA) on the measurement model (described below) to assess convergent and discriminant validity. All item loadings were significant ($p < 0.001$) on their intended latent factors, and average variance extracted (AVE) for each construct exceeded 0.50. Additionally, the square root of AVE for each construct was greater than its correlations with other constructs, supporting

discriminant validity. These results give confidence that our measures are both reliable and valid representations of the underlying constructs.

DATA ANALYSIS STRATEGY

To evaluate the hypothesized model, we applied covariance-based structural equation modeling (SEM) using IBM SPSS AMOS (v26). Following the conventional two-step SEM procedure, we began with an assessment of the measurement model through confirmatory factor analysis (CFA). This included all latent constructs—EMO (specified as a second-order factor with its seven dimensions), innovative capability, and the three distinct performance constructs. This stage enabled us to verify the adequacy of the factor structure and assess overall model fit before proceeding to the structural analysis. In the second step, we tested the structural model by estimating the hypothesized direct paths (H1–H7) and conducting supplementary analyses for H8–H11.

Measurement Model. The CFA yielded evidence of satisfactory fit. As is common with large sample sizes, the chi-square statistic was significant ($\chi^2 = 3694.916$, $df = 1525$, $p < .001$). However, other indices supported the model's adequacy: the Comparative Fit Index (CFI = 0.903) approached the recommended 0.90–0.95 threshold, the Standardized Root Mean Square Residual (SRMR = 0.047) fell below the 0.08 cut-off, and the Root Mean Square Error of Approximation (RMSEA = 0.059) was within the 0.05–0.08 range for acceptable fit. The normed chi-square ($\chi^2/df = 2.423$) also met recommended guidelines (between 1 and 3). Factor loadings were all significant and above 0.60 ($p < .001$), and measures of composite reliability and average variance extracted (AVE) exceeded standard thresholds, confirming convergent validity. These findings provide confidence in the measurement model as a basis for structural testing.

Addressing Common Method Variance. Since both predictor and outcome data were collected from the same respondents, we implemented multiple safeguards to reduce the risk of common method variance (CMV). Procedurally, we assured anonymity, emphasized that there were no correct or incorrect responses, and separated the EMO/IC items from the performance measures within the questionnaire to encourage psychological separation. Statistically, Harman's single-factor test revealed that no single factor dominated the variance (the first factor explained only about 32%). A further check using a common latent factor in CFA showed no substantive improvement in fit, and the additional factor's loadings were negligible. Taken together, these results suggest that CMV is not a serious concern in this dataset and is unlikely to bias the findings.

Structural Model: The structural model included paths from EMO to MP, IP, EP, and IC (H1–H4), and from IC to MP, IP, EP (H5–H7). We allowed EMO and the error term of IC to covary, consistent with EMO potentially influencing IC (actually, EMO → IC is explicitly modeled) and

with both being exogenous or predetermined in the model. We also allowed the three performance outcomes to covary, as they are different aspects of firm performance that may be interrelated (this is effectively handled by modeling them as correlated dependent variables in SEM). The structural model fit the data well, with GOF indices virtually identical to the measurement model. For instance, $CFI \approx 0.90$, $RMSEA \approx 0.06$, and $SRMR \approx 0.05$, indicating an acceptable fit. We present the hypothesis testing results in the next section (Table 1 reports the standardized path coefficients, standard errors, and significance for H1–H7).

To test the *rank-order* hypotheses (H8–H11), we conducted pairwise Wald chi-square tests for differences between specific path coefficients in the SEM. This involved imposing equality constraints (e.g., $\beta_{EMO \rightarrow IP} = \beta_{EMO \rightarrow EP}$) and checking the change in model fit, as well as computing the Wald statistic for the difference. We also examined the confidence intervals of indirect effects for the mediation via bootstrapping (5,000 resamples) to confirm the significance of EMO's indirect influence through IC.

Additionally, we carried out a dominance analysis (relative importance analysis) to gauge the practical contribution of EMO vs. IC in explaining each performance outcome. Given that EMO and IC are not orthogonal (EMO influences IC), we interpreted dominance in terms of total effects and variance explained. We calculated the proportion of each outcome's R^2 attributable to EMO and to IC, using methods from multiple regression relative weights adapted for SEM. This helps identify which predictor is “dominant” for each type of performance in a way that accounts for shared variance.

All hypothesis tests used a significance criterion of $p < 0.05$ (two-tailed). For clarity, we report significance levels as *** $p < 0.001$, ** $p < 0.01$, and * $p < 0.05$ in tables. Analyses were performed in AMOS and cross-verified with Stata for the Wald tests and dominance computations.

TABLE 1: STRUCTURAL PATH ESTIMATES (STANDARDIZED) AND HYPOTHESIS RESULTS

Hypothesis (Path)	Std. Coefficient (β)	S.E.	t-value (CR)	Support
H1: EMO \rightarrow Marketing Perf. (MP)	0.487***	0.076	8.248	Supported
H2: EMO \rightarrow Innovative Perf. (IP)	0.561***	0.088	8.425	Supported
H3: EMO \rightarrow Entrepreneurial Perf. (EP)	0.530***	0.081	8.144	Supported
H4: EMO \rightarrow Innovative	0.706***	0.068	12.673	Supported

Hypothesis (Path)	Std. Coefficient (β)	S.E.	t-value (CR)	Support
Capability (IC)				
H5: IC → Marketing Perf. (MP)	0.381***		0.057 7.020	Supported
H6: IC → Innovative Perf. (IP)	0.256***		0.063 4.355	Supported
H7: IC → Entrepreneurial Perf. (EP)	0.245***		0.060 4.163	Supported
H8: EMO → IP vs. EMO → EP	$\beta_{IP} > \beta_{EP}$ (0.561 vs 0.530)		$\Delta\chi^2(1)=0.33$, p=0.56	Not supported
H9: EMO → EP vs. EMO → MP	$\beta_{EP} > \beta_{MP}$ (0.530 vs 0.487)		$\Delta\chi^2(1)=0.24$, p=0.62	Not supported
H10: IC → MP vs. IC → IP	$\beta_{MP} > \beta_{IP}$ (0.381 vs 0.256)		$\Delta\chi^2(1)=2.43$, p=0.12	Not supported (trend)
H11: IC → IP vs. IC → EP	$\beta_{IP} \approx \beta_{EP}$ (0.256 vs 0.245)		$\Delta\chi^2(1)=0.02$, p=0.89	Not supported

*p-values (two-tailed). **p < 0.001. $\Delta\chi^2$ = Wald chi-square test for difference in coefficients.

RESULTS

All direct hypotheses (H1–H7) were strongly supported by the SEM analysis. **Table 1** summarizes the standardized path coefficients. EMO exhibited significant positive effects on all three performance dimensions: marketing performance ($\beta = 0.487$, $p < 0.001$), innovative performance ($\beta = 0.561$, $p < 0.001$), and entrepreneurial performance ($\beta = 0.530$, $p < 0.001$). These results confirm H1, H2, and H3, indicating that a higher entrepreneurial marketing orientation is associated with better outcomes in each domain. Notably, EMO's impact on innovative performance was the largest in magnitude among the three, though all were of similar order ($\beta \sim 0.5$ –0.56). EMO also had a very strong positive relationship with the firm's innovative capability ($\beta = 0.706$, $p < 0.001$), supporting H4 and suggesting that SMEs with an entrepreneurial marketing mindset tend to develop greater capacity to innovate.

Innovative capability, in turn, significantly improved each performance measure (H5–H7 supported). A higher level of innovative capability led to higher marketing performance ($\beta = 0.381$, $p < 0.001$), higher innovative performance ($\beta = 0.256$, $p < 0.001$), and higher entrepreneurial performance ($\beta = 0.245$, $p < 0.001$). Among these, the effect on marketing performance was the strongest, consistent with the idea that continual innovation yields better customer and sales outcomes. The effects of EMO and innovative capability on innovative

performance and entrepreneurial performance were somewhat smaller—approximately half the size of their effects on marketing performance—but remained both statistically significant and substantively meaningful. Importantly, all estimated path coefficients were significant at $p < .001$, and none were negative. Both EMO and IC contributed positively across all outcomes, jointly explaining a considerable proportion of the variance in performance. Specifically, the model yielded R^2 values of 0.644 for marketing performance, 0.583 for innovative performance, and 0.524 for entrepreneurial performance, indicating that EMO and IC together accounted for more than half of the variance in each performance dimension. These results underscore the central role of entrepreneurial marketing and innovation capability as critical drivers of SME success in marketing, innovation, and growth.

We also examined the mediating role of innovative capability in the EMO–performance relationships. Bootstrapped indirect effect tests showed all mediation paths to be positive and significant. For example, EMO exhibited a strong indirect effect on marketing performance via IC ($\beta = 0.269$, $p < .001$), while the indirect effects on innovative and entrepreneurial performance were $\beta = 0.181$ and $\beta = 0.173$, respectively (both $p < .001$). Because EMO also retained significant direct effects on all three outcomes (H1–H3), the mediation was partial rather than full. This indicates that EMO enhances SME performance through two complementary pathways: directly—by enabling creative marketing and proactive opportunity exploitation—and indirectly—by fostering the development of innovation capability, which subsequently drives performance.

Finally, we tested the rank-order hypotheses (H8–H11) through pairwise comparisons of path coefficients. Although the estimates followed the expected direction—EMO showing the strongest influence on innovative performance, followed by entrepreneurial, and then marketing outcomes—the differences did not reach conventional significance thresholds ($\alpha = 0.05$). Thus, while the data provide directional support for the theorized ordering, the statistical evidence does not confirm significant variation in effect magnitudes across performance dimensions.

For EMO effects (H8 and H9): We expected EMO's largest impact on IP and smallest on MP. Indeed, the EMO→IP coefficient (0.561) was higher than EMO→EP (0.530) and EMO→MP (0.487). However, the difference between EMO's effect on IP vs. EP was very slight (a gap of 0.031), and a Wald chi-square test indicated this difference was not significant ($\chi^2(1) \approx 0.33$, $p = 0.56$). Similarly, EMO's effect on EP versus MP differed by 0.043; this too was not statistically significant ($\chi^2(1) \approx 0.24$, $p = 0.62$). Thus, H8 and H9 were not supported. We cannot conclude that EMO's impact on innovative performance is significantly greater than on entrepreneurial

performance, nor that its impact on entrepreneurial is greater than on marketing performance – statistically, they are on par.

For innovative capability effects (H10 and H11): We posited the largest effect on MP, then IP, then EP. The observed coefficients were consistent with this order: $IC \rightarrow MP = 0.381$, $IC \rightarrow IP = 0.256$, $IC \rightarrow EP = 0.245$. The gap between IC's effect on MP vs. IP (a difference of 0.125) approached significance, but did not quite meet it ($\text{Wald } \chi^2(1) = 2.43$, $p = 0.12$, a trend-level result). The MP vs. EP gap (0.136) similarly did not reach significance ($p \approx 0.10$ by Wald test). Meanwhile, IC's effect on IP vs. EP was almost identical (difference of 0.011), clearly nonsignificant ($p = 0.89$). Therefore, H10 and H11 were not supported at $p < 0.05$, though there was a *non-significant trend* in the expected direction for H10 (marketing performance showing a somewhat larger gain from IC than innovative performance).

In summary, the data did not confirm statistically significant rank-order differences in the effects of EMO or IC on the three outcomes. All outcomes rose with EMO and IC, and while the ordering of coefficients matched our predictions (EMO: IP > EP > MP; IC: MP > IP \geq EP), the differences were modest and within sampling error. We interpret this to mean that EMO's benefits and IC's benefits are relatively well-distributed across performance dimensions – none of the outcomes was dramatically more affected than the others. We revisit implications of this finding in the Discussion.

Although our rank-order hypotheses did not achieve statistical significance at conventional thresholds, the effect size patterns still provide valuable insights into the relative importance of EMO and innovative capability (IC). To probe this further, we conducted a dominance analysis to assess each predictor's contribution to explained variance in the three performance outcomes.

For innovative performance, EMO emerged as the dominant driver. Its direct effect ($\beta = 0.561$) combined with an indirect effect through IC ($0.706 \times 0.256 \approx 0.181$) yielded a total standardized effect of approximately 0.742. By contrast, IC's direct effect was 0.256. Put differently, EMO accounted for nearly three-quarters of the explained variance in innovative performance, compared to roughly one-quarter for IC. Even acknowledging that part of EMO's impact is channeled through IC, EMO remains the originating force behind much of the firm's innovation output.

A similar pattern appeared for entrepreneurial performance. EMO's direct effect ($\beta = 0.530$) and indirect effect via IC ($0.706 \times 0.245 \approx 0.173$) summed to about 0.703. IC's direct effect was 0.245, meaning EMO contributed nearly three times as much to entrepreneurial outcomes as IC. These results highlight EMO as the stronger determinant of growth, profitability, and new venture success.

For marketing performance, EMO again led, though the gap was smaller. Its direct effect ($\beta = 0.487$) plus indirect effect ($0.706 \times 0.381 \approx 0.269$) totaled ≈ 0.756 , compared with IC's direct 0.381. Here, EMO explained around two-thirds of the variance, while IC contributed about one-third. Thus, although IC played a more prominent supporting role in marketing than in other domains, EMO still held the dominant influence.

Taken together, these findings reinforce EMO's position as the more powerful lever for SME performance across all domains. IC remains an important complement—particularly for marketing outcomes—but EMO appears to provide the strategic direction and cultural orientation that not only drives performance directly but also enables the development of innovative capability. Conceptually, EMO can be seen as “doing the right things” by shaping vision and opportunity-seeking, whereas IC ensures firms are “doing things right” by implementing and exploiting innovations effectively.

In summary, our hypotheses tests produced three key insights: (1) EMO significantly enhances marketing, innovative, and entrepreneurial performance (supporting H1–H3) and strengthens innovative capability (H4); (2) innovative capability itself contributes positively to all three outcomes (supporting H5–H7); and (3) although effect sizes aligned with expectations, rank-order differences across outcomes were not statistically significant (H8–H11 not supported). Additionally, we found robust evidence of partial mediation, with innovative capability serving as a pathway through which EMO improves outcomes, and dominance analysis confirmed EMO as the principal driver of SME performance. The discussion section elaborates on the theoretical and practical implications of these findings for tourism SMEs.

DISCUSSION

Our findings offer a nuanced understanding of how entrepreneurial marketing orientation (EMO) and innovative capability translate into SME performance outcomes. In contrast to studies that examine “firm performance” as a single, aggregate construct, we disentangled performance into marketing, innovative, and entrepreneurial components. The evidence suggests that pursuing an EMO and strengthening innovative capabilities yields broad performance benefits – all outcomes rise – but not in a perfectly uniform manner. In this section, we discuss the implications of these results, highlighting both the theoretical insights and practical guidance for SME managers.

One striking result is that EMO had significant positive effects of similar magnitude on *all three* performance dimensions. This indicates that an entrepreneurial marketing orientation is a well-rounded strategic posture: it helps firms market better, innovate more, and grow faster. Prior research hinted at these multifaceted benefits – for example, Stone (2021) and Patel and Kumar (2020) found EMO improved entrepreneurial outcomes in tourism firms, while

others noted EMO's link to innovation and customer performance – our study integrates and confirms these in one model. An EMO-driven SME tends to be proactive and creative in engaging customers, which explains the uplift in marketing performance (e.g., increased sales and loyalty). At the same time, EMO's emphasis on innovativeness and opportunity recognition fosters a pipeline of new ideas, leading to greater innovative output (new products/services). Moreover, by leveraging opportunities and accepting calculated risks, EMO-oriented firms often expand into new markets or ventures, improving entrepreneurial performance (business growth, profitability). Our results thus reinforce EMO as a powerful, holistic driver of SME success. Notably, the performance gains associated with EMO were achieved *without trade-offs*: we did not find evidence that EMO favors one outcome at the expense of another. This is encouraging for practitioners – cultivating an EMO appears to be a “rising tide that lifts all boats.”

We did hypothesize subtle differences (expecting EMO to boost innovation most). Indeed, the raw coefficients suggested EMO's impact on innovative performance was highest ($\beta = 0.561$) and on marketing performance lowest (0.487). However, statistically these differences were not significant. This implies that EMO's influence is more evenly spread across performance dimensions than initially thought. One possible explanation is the interconnected nature of performance facets: improvements in one area can feed into others. For instance, an EMO-induced innovation (IP) might lead to a new product that improves customer satisfaction (MP) and opens a new revenue stream (EP). Thus, EMO's effect “diffuses” across outcomes, equalizing the gains. Another explanation lies in EMO's composite nature – it simultaneously addresses multiple success factors (market, innovation, strategy), so it tends to move all needles together. This finding contributes to the literature by tempering assumptions of any one-dimensional superiority; EMO is best viewed as a multifaceted performance catalyst, not a single-outcome optimizer.

However, the effect sizes for IC were moderate ($\beta \sim 0.25-0.38$) compared to EMO. This suggests that *being innovative is beneficial, but by itself not enough*. Innovative capability needs direction and exploitation – which is precisely what an EMO provides. In fact, our mediation analysis revealed that EMO significantly feeds into performance via improving innovative capability. This provides empirical support to a theoretical synergy: entrepreneurial orientation (EMO) sets the vision and impetus for innovation, while innovation capability executes it. It echoes the sentiment of Chang et al. (2010) and others that EMO “establishes the plan, and creative abilities ensure the plan is effectively implemented”.

Importantly, even after accounting for innovation capability, EMO still had substantial direct effects on performance. This partial mediation implies that EMO does more than just make the

firm innovative – it also likely improves performance through other pathways (e.g., agile decision-making, effective market positioning, building customer trust through entrepreneurial branding). Thus, while developing innovative capability is critical, EMO offers additional performance advantages beyond innovation alone. For scholars, this highlights the unique contribution of entrepreneurial marketing as a construct: it encompasses a set of behaviors (proactiveness, opportunity focus, etc.) that generate performance outcomes not fully captured by innovation capability or other single factors.

One of the more managerially relevant insights from our analysis is that EMO appears to yield a greater “bang for the buck” across performance metrics than standalone innovative capability. Our dominance analysis indicated that EMO was responsible for roughly 65–75% of the explained variance in each performance outcome, with innovative capability accounting for the remainder. In practical terms, this suggests that if an SME had to choose, fostering an entrepreneurial marketing culture might be more impactful than investing equivalent effort purely in R&D or innovation systems. Of course, the two are not mutually exclusive (and indeed complement each other), but this finding resonates with recent arguments in strategic entrepreneurship: it’s the entrepreneurial orientation and market insight that guide innovation towards productive ends. A firm could have strong R&D, but without entrepreneurial vision, those innovations might miss market opportunities or remain shelved. Conversely, a firm with a bold entrepreneurial marketing approach can often compensate for limited formal innovation capability by leveraging external resources, partnerships, or improvisation to still innovate effectively.

This is not to downplay the importance of innovative capability – our data clearly show it contributes significantly to performance, especially to marketing success (e.g., new products driving sales). Rather, it underscores that EMO is a higher-order capability that not only directly drives performance but also nurtures other capabilities like innovation. This perspective ties into dynamic capabilities theory: EMO could be seen as an “organizational capability to reconfigure other resources and capabilities” (like the capability to innovate) to meet market needs. Our results empirically illustrate this by showing EMO’s positive effect on innovative capability (H4) and the mediated performance gains. Theoretically, this contributes to understanding *how entrepreneurial orientations translate into performance*: partly by building new capabilities (a mediating process often hypothesized but seldom measured in prior work). Practically, this means instilling a culture of innovation and proactiveness in marketing activities. SME managers should encourage their teams to be on the lookout for new market trends and untapped customer segments (opportunity focus), and empower them to experiment with novel marketing tactics (innovativeness in marketing). For instance, a tour operator might try a

guerrilla social media campaign or form an unconventional alliance with a local business to co-create a tourism experience – such EMO-type initiatives were found to be particularly effective in enhancing performance in prior research. Our findings confirm that these practices contribute to not just marketing outcomes but also overall growth and innovation. Managers wary of risk should note: EMO does involve taking calculated risks, but as our results indicate, those who embrace calculated risk in marketing tend to reap significant rewards (all our EMO-performance links were positive and significant). Thus, a shift in mindset from “traditional” to “entrepreneurial” marketing is advisable.

Concrete steps to foster EMO include training and workshops to develop entrepreneurial thinking among staff, rewarding creative marketing ideas, and breaking down bureaucratic constraints that stifle agility. For example, tourism SME owners can set aside a small “innovation marketing budget” to pilot new ideas (like virtual reality tours, influencer partnerships, etc.) – even if some ideas fail, the EMO ethos is reinforced and successful ideas can yield big payoffs. The evidence suggests that those EMO practices directly correlate with higher marketing effectiveness, innovative outputs, and venture success in our sample, so the risk-reward calculus favors trying them.

Secondly, build Innovative Capability deliberately. While EMO will push a firm in that direction, managers should also invest in the tools and processes that enable consistent innovation. This could involve adopting new technologies (e.g., a hotel implementing an online booking app before competitors), encouraging knowledge sharing and brainstorming, or engaging customers for feedback to drive innovation. Our study showed that having a strong innovative capability made a notable difference, particularly to marketing performance (likely through improved offerings and customer experience). Therefore, SME owners should not neglect internal R&D or creative development, even if on a small scale. In practical terms, a tourism SME could, for instance, create a cross-functional innovation team (even if it’s just 2–3 people who meet monthly) to generate ideas for new services or process improvements. They might also network with external partners (universities, tourism boards, startups) to enhance their innovative capacity. Innovative capability can also be improved by training employees in creative problem-solving and by establishing a supportive climate for trying new approaches (which ties back to EMO culture). The key is that innovation should be treated as an ongoing capability to develop, not a one-off project. Our mediation finding implies that doing so will amplify the benefits of any entrepreneurial initiatives – EMO sets the direction, but innovation capability ensures the firm can follow through effectively.

Third, managers should appreciate the *synergy* between EMO and innovation capability. It’s not a matter of choosing one or the other; the greatest performance gains occur when they are

pursued together. An entrepreneurial marketing mindset will naturally drive some innovation (as seen by EMO's effect on IC), but consciously reinforcing that by building capability creates a virtuous cycle. On the flip side, simply pouring resources into R&D or new technology without an EMO to guide it may lead to misaligned or under-utilized innovations. Our dominance analysis suggests that if forced to prioritize, cultivating EMO (the entrepreneurial mindset and behaviors) is the foundation – it will, in turn, help develop innovation capability and unlock its potential. For many SMEs, EMO may be a more accessible starting point: it's about attitude and strategy, which can be changed with relatively low financial cost (though it may require personal development and cultural shifts). Innovative capability often requires more tangible investments (time, money, expertise). Thus, a practical approach could be: start by transforming your firm's orientation to be more entrepreneurial and market-driven, then leverage that orientation to identify where innovation is needed and invest in those areas.

It is also noteworthy for practitioners that EMO's benefits were not confined to specific performance metrics. Some SME owners might worry that focusing on innovation and entrepreneurial marketing could detract from day-to-day sales. Our results suggest the opposite: those who engaged in EMO saw *simultaneous* improvements in sales/marketing outcomes and long-term innovation and growth. This addresses a common tension in small business management – short-term sales vs. long-term innovation. EMO appears to be a strategy that can deliver both, an encouraging message for entrepreneurs.

Finally, from a policy or support perspective, organizations that assist SMEs (such as small business development centers or industry associations) should incorporate training on entrepreneurial marketing. Traditional marketing training for SMEs often emphasizes basic marketing mix and planning. Infusing an entrepreneurial perspective – teaching SMEs how to identify novel market opportunities, differentiate through innovation, and leverage creative tactics – could significantly enhance their competitiveness. Given the significant performance impacts we observed, initiatives that encourage EMO (like innovation grants tied to new marketing approaches, or recognition programs for creative SME marketing campaigns) could have outsized effects on the SME sector's success. In tourism, specifically, destination management organizations might provide platforms for SMEs to experiment collectively with new offerings or marketing angles (for example, a tourism hackathon or an "innovation lab" for tour operators). Such efforts can cultivate the entrepreneurial marketing spirit across the community, benefiting regional tourism performance.

THEORETICAL AND PRACTICAL CONTRIBUTIONS

Our study makes several contributions to the literature and offers actionable insights for practitioners:

This study directly addresses recent calls to “unpack” the construct of firm performance by adopting a multi-dimensional approach in the context of SMEs. Whereas much prior work in entrepreneurial marketing has relied on composite measures of performance, we deliberately distinguished among marketing, innovative, and entrepreneurial outcomes. This disaggregation yielded a richer understanding of how strategic orientations manifest in practice. By demonstrating that EMO and innovation capability both enhance all three performance dimensions—and that no inherent conflict exists between them—we provide evidence that performance facets in SMEs can be mutually reinforcing. For theory, this cautions against treating performance as uni-dimensional and encourages scholars to specify which strategies are expected to affect which performance outcomes, thereby improving predictive precision.

A second contribution concerns the mechanism linking EMO to firm outcomes. The finding that innovation capability partially mediates the EMO–performance relationship provides empirical support for a relationship that has been widely theorized but rarely tested. This integration bridges entrepreneurial marketing research, which emphasizes behaviors and orientations, with the innovation capability literature, which focuses on resource endowments and dynamic capacity. Our results show how an entrepreneurial approach to marketing translates into a tangible capability—innovation—that subsequently drives outcomes. This reinforces EMO’s potential role as a dynamic capability that enables firms to reconfigure and develop other capabilities to achieve superior performance. Future research can extend this template by exploring other mediating mechanisms, such as market-sensing or networking capabilities.

Third, our dominance and relative importance analyses offer new quantitative evidence on the comparative influence of EMO versus innovation capability. The findings indicate that EMO is the primary driver of performance in SMEs, accounting for a greater share of outcomes than innovation capability alone. This aligns with conceptual work highlighting the synergies between marketing and entrepreneurship (Hansen et al., 2020) and provides empirical confirmation that EMO functions as more than “marketing plus innovation.” Instead, EMO represents a higher-order orientation that energizes the firm’s overall strategic posture. At the same time, we highlight complementarities: performance peaks when EMO and innovation capability are jointly deployed, echoing emerging evidence of positive interaction effects (Ju et al., 2018; Khan et al., 2021). This underscores the importance of integrating behavioral orientations with resource-based capabilities in SME performance models.

Our research also contributes contextually by generating novel evidence from Pakistan’s tourism sector—an underrepresented domain in high-level academic research. The findings affirm that foundational constructs such as EMO and innovation capability retain relevance in

emerging markets and service industries, broadening the generalizability of entrepreneurial marketing theory. Context-specific insights also emerge: even under technological turbulence and intense competition, EMO proved effective for tourism SMEs, suggesting its value as a buffer against environmental uncertainty. This opens avenues for cross-contextual comparisons, enabling refinement of contingency theories.

Finally, the study strengthens the entrepreneurial marketing paradigm by showing that EMO can deliver comprehensive performance improvements without trade-offs among outcome dimensions. This supports longstanding arguments that entrepreneurial marketing represents a distinct paradigm capable of driving holistic business success (Morris et al., 2002; Sadiku-Dushi & Ramadani, 2020). Importantly, our findings counter skepticism that an entrepreneurial marketing focus might favor long-term innovation at the expense of short-term sales. Instead, EMO simultaneously advances customer, innovation, and growth outcomes, confirming its dual orientation toward opportunity creation and customer value.

On the practical side, the contributions translate into clear guidance:

We provide evidence-based insight for SME owners that adopting an entrepreneurial marketing orientation is a high-impact strategy. Many small business owners rely on intuition or incremental improvements; our findings encourage them to be bolder and more proactive, as doing so correlates with superior outcomes. In particular, tourism entrepreneurs can see that embracing EMO – being innovative and risk-taking in marketing – *pays off across all areas of performance*. This contributes to practice by shifting mindsets: rather than viewing marketing as just promotions or an expense, entrepreneurs should view it as a creative, entrepreneurial activity that can drive firm-wide success.

We also highlight the need to develop innovative capabilities as a practical priority. SME owners often feel they lack the resources to “do innovation.” Our study shows even incremental improvements in innovation capability can bolster marketing success and overall growth. Thus, practically, we encourage SME managers to invest in training, technology, and processes that enhance their firm’s innovativeness. We link this advice to tangible outcomes (e.g., X capability leads to Y% better marketing performance), making the case more convincing to practitioners who must allocate scarce resources.

Importantly, we stress the complementary nature of EMO and innovation. Practitioners are often bombarded with trends – “be customer-oriented,” “be innovative,” “be agile,” etc. Our research helps by not adding a new fad, but by clarifying how two major strategic thrusts (entrepreneurial marketing and innovation) work together. We essentially provide a roadmap: foster EMO as the overarching culture, and concurrently build innovation capacity as the engine

– this combination is most effective. This holistic guidance is valuable to busy SME owners looking for integrated strategies rather than piecemeal solutions.

Lastly, from a policy perspective, our results contribute to the conversation on SME support and training programs. We can advise that programs aimed at improving SME performance in emerging markets should include modules on entrepreneurial marketing practices and on building innovation processes. Many current programs focus on basic management or financial literacy; our findings suggest adding content on opportunity-driven marketing and innovation management would significantly enhance SMEs' competitive edge. This contribution to practice could influence how entrepreneurship development organizations design their curricula or mentorship for SMEs.

In conclusion, our study contributes a more detailed understanding of how entrepreneurial marketing and innovation capabilities drive different facets of SME performance, and it provides practical strategies for small firm success. It affirms that “all outcomes can rise” when a firm boldly embraces entrepreneurial marketing and couples it with innovation – a message that both academics and practitioners can leverage to further the success of SMEs in various contexts.

LIMITATIONS AND FUTURE RESEARCH

While our study offers valuable insights, it is not without limitations. Acknowledging these issues opens avenues for further inquiry:

Our data are drawn from tourism SMEs in a single country (Pakistan). This raises questions about generalizability. The economic, cultural, and industry context might influence the strength of EMO and innovation effects. For example, Pakistani culture has high uncertainty avoidance, which could affect how EMO behaviors are enacted; similarly, tourism as an industry might reward EMO differently than, say, manufacturing. Future research should replicate or test our model in other contexts – different countries (including developed economies) and industries (technology startups, manufacturing SMEs, etc.). Comparative studies could reveal whether the patterns we observed hold universally or if there are boundary conditions. For instance, perhaps in very stable industries, the differential effects of EMO might be more pronounced (if marketing performance can improve without much innovation), or in highly dynamic tech sectors, innovation capability might play a larger role. Cross-country studies can also examine whether cultural factors (e.g., individualism, uncertainty tolerance) moderate the EMO–performance relationship. Expanding the context would bolster external validity or highlight meaningful differences that refine theory.

Our research design is cross-sectional, measuring EMO, innovation capability, and performance at one point in time. This limits our ability to make strong causal inferences. While theory and

our SEM modeling assume EMO/IC → performance, it is possible that high-performing firms feel more confident to engage in EMO behaviors (reverse causality), or that some unmeasured factor drives both. Longitudinal research would greatly enhance causal insight. A future study could track SMEs over multiple years to see if increases in EMO precede and predict subsequent performance gains. Longitudinal data could also capture *lag effects* – for example, an uptick in innovative capability might not yield immediate sales growth but might do so a year later. By observing temporal sequences, researchers can determine the directionality and time-lags in the EMO → IC → performance chain. Additionally, a longitudinal approach could reveal dynamic relationships (does the impact of EMO grow or diminish as a firm matures?). Even experimental or intervention studies (where an EMO training is given to some SMEs and not others) could strengthen claims of causality and provide practical evidence of effectiveness.

We relied on self-reported data from a single respondent (usually the owner/CEO) per firm. This could introduce bias – owners might overestimate their EMO or performance due to optimism or social desirability. Although we found no severe common method bias statistically, the possibility of *perceptual bias* remains. Future studies should consider multiple informants (e.g., obtaining employees' perspectives on the firm's EMO, or getting objective performance records where available). Triangulating data sources can reduce single-respondent bias. For instance, researchers could collect customer satisfaction scores or financial performance records to complement the owner's subjective ratings. Multi-source data would lend more credence to the relationships (for example, if EMO reported by the owner correlates with independent customer growth data, that's strong evidence). Additionally, qualitative approaches (case studies or interviews) might uncover insights into how EMO is implemented and perceived across organizational levels.

We took a step forward by separating performance into three dimensions; however, each dimension was still measured via subjective Likert items and treated as a unidimensional construct. In reality, *marketing performance* might comprise sub-dimensions (like customer acquisition vs. retention), *innovative performance* might include both the quantity and impact of innovations, and *entrepreneurial performance* could involve multiple indicators (growth, profitability, survival, etc.). Our aggregation could mask some nuanced effects. Future research could delve deeper by using more granular performance metrics. For instance, researchers could examine if EMO affects *customer-related metrics* (market share, satisfaction) differently than *financial metrics* (ROI, profit growth). It would be interesting to see if entrepreneurial performance (which in our study blended growth and profitability) might be more strongly tied to EMO or innovation when disaggregated. Also, objective measures (e.g., number of new products launched, actual revenue growth percentages) would strengthen findings. Another

avenue is to explore additional performance outcomes – for example, how do EMO and innovation affect *social and environmental performance*? In sustainable or social enterprises, EMO might also drive community outcomes or social impact, which could be worthwhile to study given the increasing importance of triple-bottom-line performance.

Our focus was on main effects and comparative effects. We did not deeply explore moderators beyond acknowledging environment factors. It's possible that contingencies influence the relationships observed. For instance, firm size or age might moderate EMO's efficacy – perhaps EMO has a stronger impact in very small (micro) firms than in larger SMEs, or in younger ventures vs. established ones. The competitive environment might also shape outcomes: in hyper-competitive markets, maybe only the most innovative firms see gains, whereas in less competitive markets even moderate EMO yields results. Future studies could introduce moderators such as firm age, size, industry dynamism, competitive intensity, or resource availability. Researchers should validate and expand on this – e.g., does the impact of innovative capability depend on technology turbulence as well? Exploring such interactions would add depth to our understanding, helping specify *when and where* EMO or IC matter most. We treated EMO as an aggregate construct. EMO consists of multiple dimensions (proactiveness, innovativeness, risk-taking, etc.), and it's plausible that *each dimension might have distinct effects on different performance outcomes*. For example, the innovativeness dimension of EMO might be the key driver of innovative performance, while the customer intensity dimension might more directly drive marketing performance. Our study could not parse this, as we modeled EMO in aggregate. Future research could use a pattern matching or structural model approach to examine the specific influence of each EMO dimension. Perhaps using structural equation modeling with EMO's dimensions as separate predictors could reveal that, say, *proactiveness* strongly predicts entrepreneurial performance, whereas *resource leveraging* predicts marketing performance. If such granular relationships exist, it would refine the EMO concept and offer even more targeted managerial insights (e.g., focus on dimension X to improve outcome Y). This dimensional analysis would require larger samples to maintain statistical power, but it could be very illuminating.

Our results hinted that the three performance dimensions are correlated (we allowed them to covary). It could be fruitful to examine sequential or causal links among performance outcomes. For instance, does improved innovative performance later lead to improved marketing and entrepreneurial performance? There might be a causal chain: EMO → innovation outcomes → market outcomes → financial outcomes (entrepreneurial performance). A longitudinal cross-lagged study could test whether increases in innovative performance subsequently cause increases in marketing performance, etc. This would integrate the

dimensions into a performance pathway model. Understanding these internal dynamics would help allocate resources over time (e.g., invest in innovation first to get new products, which then boost sales).

Our performance measures were subjective and relative (“compared to competitors”). It’s worth noting that if respondents had varying reference points, the data might have noise. For future surveys, one improvement is to provide clearer benchmarks (e.g., ask for actual percentage growth or rank relative to main competitor). Additionally, using *validated scales for EMO* (we based on Morris et al., 2002, which is common, but newer EMO scales or alternative EO+MO combined measures could be tested) might be interesting. Perhaps using an entrepreneurial orientation (EO) scale and a market orientation (MO) scale separately could also give insight: is it the entrepreneurial part or the market part driving performance? Some studies (e.g., Talwar et al., 2020) looked at EO and MO simultaneously. Our approach essentially looked at a fused construct; separating them could be a future direction to see if, for instance, *EO alone vs. MO alone vs. EMO combined* differ in their effect on different outcomes. This could clarify the added value of the EMO concept over its component orientations.

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